

1Q: Where do you find the agency Tier?

1A: Most customers are assigned a Tier 2. You may contact your account manger if you are uncertain of your agency's or bureau's assigned tier.

2Q: Is the Custom TI calculated using just the national General Allowance, or the local General Allowance, i.e., the Locally-indexed General Allowance?

2A: PBS has created a series of customization tiers—tier 0 to tier 6. Each tier is equal to one-tenth of the value of the general allowance. Tier 1 is 10 percent above the general allowance, Tier 2 is 20 percent above the general allowance, and so on. Each tenant agency and bureau is assigned a tier based upon a computation that takes the blended average of the cost to PBS to construct all space assigned to that tenant agency or bureau. Customization allowances are not adjusted because they are a percentage of the general allowance, which is already adjusted for inflation and indexed to local construction costs. Adjustments to the general allowance automatically translate into proportional adjustments to the customization allowance. (PDG. 2.5.5. and 3.6.5.)

3Q: I thought that in federally owned space TI's had to be paid in lump sum. Are you saying that TI's can be amortized over the firm term in owned space, and not just space GSA leases for an agency?

3A: There are two rules for limiting amortization terms for TIs: 1.) The amortization term must not exceed the economic life of the improvements; and 2.) The amortization term must not exceed the term of the OA. Tenant agencies may shorten the amortization period, but may not lengthen it beyond the above terms. Multiple amortization periods can be entered into a tenant agency's OA within the OA Tool, but this is done in special cases only (such as phased projects). (PDG. 3.6.8.)

4Q: We use terms of 4 months and 16 months - can we use days 120, etc.?

4A: The Release of Space policy describes the 4-month written notice in terms of months to coincide with PBS's billing process which occur in monthly cycles and not

days. Although some may call the policy the 120 day notice and so on, the more accurate term is 4-month or 16 month notice, since that is how any payment of rent will be collected.

5Q: Who determines whether the TI allowance is calculated based upon tier or functional estimate?

5A: The standard for determining the revised TI allowance is that it covers the cost of basic functionality (operational requirements) for the specific space's use. The standard applies whether PBS contemplates a revision to a TI allowance in accordance with benchmarks, or a cost estimate to deliver functional space, or as a consequence of a tenant agency request. (PDG 3.6.7.)

6Q: Additionally, who performs the "functional estimate"?

6A: The initial review is typically evaluated by the Real Estate Representative while developing the OA.

7Q: October 1st 2011 is the effective date when termination rights were revised. Carlos said he could not remember.

7A: The policy can be found in Chapter 5 of the Pricing Desk Guide. October 1, 2011 is when the Release of Space policy changed from a 4-month notice to vacate space to a 16 month notice to vacate space for new occupancies beginning October 1, 2011 and beyond. Effective from January 1, 2012, the Release of Policy was updated again to also include the following occupancies:

- Initial occupancies (A space expansion is considered an initial occupancy)
- Backfill occupancies.
- Continuing occupancies. (A lease extension, succeeding lease, superseding lease, or exercise of a renewal option is considered a continuing occupancy.)

8Q: Do we have to enforce the President's Executive Order, 13589, Promoting Efficient Spending, and what is being communicated to the clients on this? Why doesn't it address reduction?

8A: GSA's role is to make our customers aware and help them meet the no net new requirement. GSA should not stop ongoing, or planned projects because of the OMB memo. While GSA can help an agency develop strategies to reduce their space needs and promote efficient spending, the clause creates awareness and informs the agency that they are ultimately responsible for compliance. Last year in July 2012, Client Solutions held a workshop for customers, and a letter was sent to

high level customer leaders which provided an in-depth review of the new initiative. The new initiative is intended to assist agencies to comply with the Presidential Memorandum "Disposing of Unneeded Federal Real Estate".

9Q: You indicated that the customer will receive a cover letter for administrative OA's. I have never received one. Would it come from the GSA Realty Specialist?

9A: In this case it is best that you contact your specific regional real estate representative, or your Regional Account Manager to inquire about the process for administrative OA notifications. If you need assistance locating these contacts please call, or e-mail David Lee at 415-522-3222, davidr.lee@gsa.gov.

10Q: The presentation didn't address TI allowance buy-down. Can you address it?

10A: Overall, Agencies can lower their TI cost in the form of a lump-sum payment against the customized TI costs and/or any amount above the TI allowance. In Section 2.5.10. and 3.6.10., the policy for lump-sum payment options is outlined.

11Q: What does each of the AZ numbers represent?

11A: 'AZ' refers to Arizona. The first two letters of GSA's building codes signify the state in which asset is located (e.g. 'CA' = California, 'NV' Nevada, 'HI' = Hawaii etc.)

12Q: Where can we find a list of mandatory clauses?

12A: All clauses are listed in the 'Clause' section of the OA. PBS Standard Clauses are mandatory for all OAs and may not be altered or changed. Agency-specific clauses may be mandatory or optional. Optional if the clause only applies to a specific subset of the Agency. (PDG 2.1.2, 3.1.2)

13Q: When did this become a mandatory clause - Promoting Efficient Spending?

13A: Effective September 21, 2012, RPAM revised the "Promoting Efficient Spending" mandatory clause included in all Occupancy Agreements (OAs) for civilian executive agencies.

14Q: Are the mandatory clauses in OA the same mandatory clauses in leases?

14A: PBS Standard (mandatory) clauses are different for leased, federally owned and USPS space assignments; see PDG 2.1.2, 3.1.2.

15Q: Are these clauses applicable to only the Executive Department, or also to others such as the Judiciary?

15A: PBS Standard Clauses are applicable for every OA; however, Agency-specific clauses will vary between Agencies. PDG 2.1.2, 3.1.2.

16Q: As new regulations are added that apply to current OAs already in effect, should we expect these via Administrative OAs?

16A: Unless a signature is required on a revised billing OA, agencies will typically be notified via Administrative OA, or through a written communication from your Realty Specialist on policy changes. Please contact your Real Estate representative or your Regional Account Manager to inquire about the process for administrative OA notifications.

17Q: In cases where the federal agency is reorganizing, and must leave the space what liabilities are placed on the tenant agency?

17A: Per Pricing Desk Guide changes dated 10/01/11:

For owned & leased space assignments

- For new occupancies with Pro Forma OAs signed on or after 10/01/11, tenants may provide 4 months written notice to release space only after the first 12 months of their OA term. PBS will continue to charge Rent for cancelable space during the first 16 months of an OA term. These Rent charges will be removed if PBS finds a backfill tenant, only to the extent to which the backfill tenant agency's Rent (not including TIs) covers the total Rent obligation of the vacating agency. See PDG 5.3.1
- After contract execution, prior to rent start (for cancelable assignments only) if the tenant agency decides to cancel its plans for occupancy after PBS obligates the government contract, and before rent starts; then the tenant agency is liable for the lesser of the following costs:
 - The 16 month rental obligation had it occupied the space, plus the unamortized balance of the tenant improvements (TI's), or
 - o In case of a lease, the lease buyout costs, or
 - In the case of federally owned space, the total project costs incurred. See PDG 5.1.2

18Q: Regarding cancellation: Is the 16 month occupancy requirement new?

18A: The Four Month Release of Space Right (16 month occupancy requirement) was effective as of October 1, 2011. (PDG 5.3.1)

19Q: What about when we place our telecom requirements with GSA and they are not ready. Does this delay rent?

19A: In this situation, a rent delay would depend on the length of interference upon the agreed move schedule between GSA and the tenant agency. Information on tenant and GSA caused move delays can be found in PDG 4.5, 4.6.

20Q: Is the "beneficial occupancy" date the same as the date that the space is substantially complete and operationally functional?

20A: Yes, the date GSA takes beneficial occupancy is the date that rent commences. If a space is not 100% completed, but is operationally functional, GSA will establish beneficial occupancy.

21Q: "The Rent differential is calculated on all elements of Rent except the amortized TI cost" in forced moved decisions - can you please explain?

21A: In a forced move, the forcing agency is responsible for any increase in the displaced agency's overall rent at its new location, except for any difference in amortized TIs, until the displaced Agency has time to budget through the Rent Est cycle. TIs are excluded because control of the build out is with the displaced agency. PDF 4.4

22Q: As stated, the 120 Day termination is in the OA. What happens if the SLA states for example, "lease termination anytime AFTER May 2017", and you move BEFORE May 2017? Would the OA be more binding than the SLA?

22A: The Occupancy Agreement governs the terms of the space assignment between GSA and the tenant agency.

23Q: Does GSA care who signs the OA or can anyone sign?

23A: Yes, the OA must be signed by an authorized signer.

24Q: Is the PDG available on the web?

24A: Yes, http://www.gsa.gov/graphics/pbs/PDG_4th_Ed.pdf

25Q: Are CPI operating increases normally included in the rent estimates? At what point in the fiscal year can an agency expect to receive/incur their CPI-based operating cost charges for that fiscal year?

25A: CPI adjustments fall on the anniversary date of the lease, and they are processed yearly.

26Q: How is security handled in TIs, e.g., what can and cannot be amortized?

26A: There are three types of security items and charges that tenant agencies may encounter, listed below. Only one is funded by PBS and appears on the GSA tenant agency rent bill.

- <u>Basic security</u> and <u>building-specific security</u> are provided and billed to tenant agencies by the Department of Homeland Security (DHS), Federal Protective Service (FPS). Basic security includes things like patrol and response and security alarm monitoring. Building-specific security includes things like contract guards and security equipment.
- <u>Tenant-specific security</u> is funded directly by the tenant agency with a reimbursable work authorization (RWA) to PBS or a security work authorization (SWA) to FPS, depending on the type of security provided. Tenant-specific security includes fixtures and equipment specific to that tenant and not used in the entire building, like card readers.
- <u>Building-specific security</u> that meets the <u>building-specific amortized capital</u> (BSAC) definition is funded by PBS and billed to tenant agencies on the rent bill.

(PDG Sections 2.9 and 3.10)

27Q: We wish to move into vacant Federal space. GSA states that we cannot because they do not have the funds for TI (first generation space). We are willing to pay the entire TI, but GSA says not until they get funding. Can you explain 1st generation space in a 30 year old Federal Building, and if we have the funding why couldn't we pay the TI?

27A: Typically in federal space, first generation space refers to the first ever use of the space (e.g., new construction) PDG 3.2.1. Here, the federal space would be considered relet space. Relet space is second-generation space that already has TIs installed for a prior tenant. If the tenant agency can substantially use the existing build out without major modification, then the tenant agency may pay lump sum RWA to modify the space. As a result, the tenant waives all or any part of the general TI allowance. This is allowed because the TIs are pre-existing and the rental rate reflects its improvements. Therefore, PBS has fulfilled its appropriation obligation to provide the tenant agency with the general component of the space. If the pre-existing TIs in the relet space are to be substantially or entirely demolished, PBS is required to furnish the tenant agency with general allowance at a minimum. Tenant agencies may not buy down the general allowance under these conditions as this would constitute an improper augmentation of PBS' appropriation.

28Q: For TI allowance - when using the construction cost estimates - is it true that if the amount is higher than their TI general and customization components, don't they have to pay that difference?

28A: If an Agency's assigned customization tier is inadequate, a regional pricing deviation may be submitted to request a tier increase when the unusual build out needs of a proposed occupancy so warrant, or appropriate documentation and information is available to determine the allowance needed to provide functional space. PDG 3.6.12. If a tier increase is approved and build out costs still exceed the customized TI allowance; agencies may pay lump sum. See PDG Table 3-3 for Lump-Sum Payment Options for Tenant Improvements (RWA, rent through OA Tool).

29Q: It is my understanding that the Executive Order only addresses "no-net-new" and does not specifically refer to reducing UR.

29A: On March 14, 2013 OMB issued Management Procedures Memorandum No. 2013-02 for Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint (attached). The memorandum is for all 24 CFO Act Executive Branch departments and agencies (agencies). See list attached to memo. Each agency shall not increase the total square footage of its domestic (including US territories) office and warehouse inventory compared to the FY 2012 baseline. GSA is responsible for the square footage occupied by GSA only.

Agency Baselines

Agencies baselines consist of two components:

- Agency Controlled Space:
 - OGP will be using agencies' FY2012 Federal Real Property Profile (FRPP) submissions for the space that agencies control.
- PBS Controlled Space:
 - The Office of Portfolio Management, Portfolio Analysis Division provided OGP with occupancy data, at the Occupancy Agreement (OA) level, for the 24 agencies for office and warehouse space as of September 30, 2012. Note Courthouse occupancies were considered office, per the FRPC Real Property Use.
 - Late OA activations were monitored through March 2013 billing and the baseline adjusted for square foot changes that were not billed at the end of FY12.
 - The unit of measure is usable square footage (USF). This eliminates any potential R/U issues.

Each agency will receive a total baseline figure, with supporting OA information at the bureau level, for its office and warehouse space.

30Q: Where do we find the local construction Index?

30A. This is not readily accessible to our clients on the web. It is recommended that you contact your regional account manager to obtain a copy. If you do not know who that is, please contact David Lee at 415-522-3222, davidr.lee@gsa.gov, and he will put you in touch with them.

31Q: Why does the rent payment for buildings that are calculated using ROI not come to an end when the initial investment has been paid off?

31A. GSA has custody and control of the buildings in its portfolio and is not only authorized, but directed to charge rents that approximate commercial charges. Just as a lessor in the private sector would not stop charging a tenant rent after recouping their investment, neither does GSA regardless of whether appraisal or ROI method of pricing is used. Congress' rationale for having GSA charge commercial rent in federally owned space, as confirmed by legislative history and Comptroller General Opinion, is to not only encourage consolidation of space requirements, but also finance new construction, repair and alteration. Furthermore, the use of the ROI methodology has been approved by the Administrative Office of the U.S. Courts via memorandum of agreement.